

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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**Trade Negotiations Committee**

TRADE NEGOTIATIONS COMMITTEE

Ninth Meeting: 27 July 1989

1. The Trade Negotiations Committee held its ninth meeting, under the chairmanship of Mr. Arthur Dunkel.
2. The Chairman suggested that, while specific points might be made under the first three agenda items, more general statements should be made under Item IV, "Overall Review of Progress in the Negotiations". As Chairman, he would sum up discussions on the first four items under Item IV. He also drew attention to the fact that some participants wished statements which they had made in the GNG to be taken into account under Item IV (see page 5 below).
- I. Substantive evaluation of the implementation of the standstill and rollback commitments
3. The Chairman recalled that the TNC, at its mid-term review meeting in April 1989 had adopted the following decision regarding the surveillance of standstill and rollback:

"[Ministers] agree that at its meeting in July 1989 the Trade Negotiations Committee should carry out a substantive evaluation of the implementation of the standstill and rollback commitments (including evaluation of avoidance of disruptive effects on the trade of less-developed contracting parties) and its impact on the process of multilateral trade negotiations and in relation to the interests of individual participants, with a view to taking such procedural or other action as may be appropriate" (MTN.TNC/11, page 2, paragraph (h)).
4. The Chairman of the Surveillance Body introduced the notes on its meetings of 17 May and 3 July 1989 (MTN.SB/9 and 10). The latter had focused, in particular, on proposals and submissions made in the context of the substantive evaluation to be carried out at this meeting of the TNC. He also introduced a factual summary, made on his own responsibility, of the current situation relating to the implementation of the standstill and rollback commitments (Annex II of MTN.SB/10). There had not been much movement in recent months. In relation to standstill, the Surveillance Body had continued to perform a rôle as forum for the discussion of new policy measures still under consideration. With regard to rollback, no new action had been notified since October 1988. Some communications, made in

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the context of the present review, referred, however, to certain autonomous measures of liberalization undertaken by governments and there had been some discussion of the significance to be attached to such measures in the context of the rollback commitment. The leaders of the seven industrialized nations, meeting in July 1989, had pledged that they would "fulfil the Punta del Este standstill and rollback commitments which, inter alia, required the avoidance of any trade-restrictive or distorting measures inconsistent with the provisions of the General Agreement and its instruments". It was evident that the fullest implementation of the standstill commitment would be essential to the preservation of a proper negotiating climate during the remaining 16 months or so of the Uruguay Round. Also, as the end of the negotiations approached, it would become increasingly urgent for each participant to consider what action it would need to take by way of phasing out or bringing into conformity with the GATT, measures inconsistent with GATT. The Surveillance Body had under discussion the New Zealand submission in MTN.SB/W/8 on the evaluation of the rollback commitment, and the TNC would no doubt wish to see what further guidance it could provide on these matters.

5. Participants expressed their concern over the lack of progress in implementation of the standstill and rollback commitments. With respect to rollback, some participants underlined that both the Punta del Este Declaration and the Montreal decision envisaged progressive implementation of the commitment. Some participants emphasized that rollback hinged on determination of GATT consistency. One participant feared that unless the TNC were to adopt clear operational guidelines at this meeting, there would be a widespread resort to Article XXIII procedures. One participant expressed concern over the apparent confusion between, on one hand, measures implemented by certain countries in fulfilment of their GATT obligations and rollback commitments and, on the other, autonomous liberalization measures by others, including certain developing countries, for which credit could be claimed. Some participants said that a rollback offer containing discriminatory elements should be brought into full conformity with the GATT. One participant recalled its rollback notification and implementation of various other trade liberalization measures. With respect to standstill, some participants expressed serious concern over continuing breaches of the commitment, notably in violation of paragraph (iii) of the Punta del Este Declaration. Such unilateral actions seriously jeopardized the progress of the negotiations, undermined their credibility and cast doubt on their final outcome. They urged a renunciation of unilateral actions and the importance of a commitment to abide by the final outcome of the negotiations. One participant noted that unilateral action was being threatened against measures implemented by his country in pursuance of its development objectives. Some participants noted that a substantive evaluation of the standstill and rollback commitments was crucial to a successful outcome of the negotiations. Some supported the proposal made to the Surveillance Body by one participant with the aim of providing a logical framework for participants to make such an evaluation. The representatives of Hong Kong and Japan stated their intention to hold a fourth round of consultations on the former's requests, in accordance with agreed procedures.

6. The Committee took note of the report of the Chairman of the Surveillance Body, of the statements made. Summing up under Item IV of the agenda, the Chairman suggested that when the TNC reverted to the implementation of the standstill and rollback commitments at its December 1989 meeting, it should have before it proposals from the Surveillance Body for appropriate TNC action in accordance with paragraph (h) of the Mid-Term Review decision (see paragraph 25 below and MTN.TNC/11, page 3).

## II. Group of Negotiations on Goods: Report

7. Speaking as Chairman of the GNG, the Chairman said that the GNG had met immediately before the TNC (MTN.GNG/20). He said that the GNG's rôle in providing an overall assessment of progress in the negotiations was becoming increasingly important as the final stages of the Round approached. Following the conclusion of the Mid-Term Review in April, it had seemed to him that the resumption of work had been rather slower than might have been expected, but he had noted that in the most recent series of meetings of Negotiating Groups the intensity of work had picked up very considerably. It was particularly gratifying that among the substantive proposals which had been tabled in many Groups there were some which represented the first attempts to reconcile differing positions. Nevertheless, it must be recognized that the agreed deadline for completion of the Round implied that the Negotiating Groups now had barely twelve months in which to complete their work and that the pressure on delegations and the secretariat would intensify in the Autumn and increase still further in 1990. He suggested that by the end of the year all participants should be in a position to appreciate the general outline of the package emerging on each subject, so that the intensive negotiations which will begin in January could be based on a clear understanding of the bridges that must be built and the difficulties to be overcome. IN general this meant that in all Groups national positions should have been tabled and discussed before the end of the year; in some Groups, indeed, such as Tariffs and Safeguards, substantive negotiations should already be well under way, as mandated by Ministers. The Chairman also informed the Group of the status of the report which he had been asked to make to the FOGS Group, in his capacity as Director-General of GATT, on the results of his contacts with the Heads of the IMF and the World Bank to explore ways of achieving greater coherence in global economic policy making through strengthening the relationship of GATT with other relevant international organizations.

8. The Group took note of the report of the Chairman of the GNG.

### III. Group of Negotiations on Services: Report

9. The Chairman of the GNS recalled that, since the Mid-term Review meetings of the TNC, the GNS had met three times (MTN.GNS/22, 23 and 24). The present report was made on his own responsibility. As agreed in the Mid-term Review (MTN.TNC/11, Part II), the secretariat had prepared a sectoral reference list (MTN.GNS/W/50) and the Group, at its April 1989 meeting, had discussed the approach it should make to examining the implications and applicability of concepts, principles and rules for particular sectors and specific transactions. The conclusions it had reached were spelt out in MTN.GNS/22, paragraphs 39 and 45. The Group had also agreed on the further work to be done on the elaboration of concepts, principles and rules to be incorporated in a framework agreement and on other points covered by the Montreal text. At its meeting in June 1989, the Group had discussed the application of concepts, principles and rules to the sectors of telecommunications and construction services. A representative of the International Telecommunications Union had participated in the discussion. The secretariat had prepared background papers on telecommunications services (MTN.GNS/W/52) and construction services (MTN.GNS/W/53), as well as a list of questions that might be addressed in the examinations (MTN.GNS/W/51). The Group had also discussed matters relating to the definition of trade in services as well as the concepts of transparency and progressive liberalization. At its meeting in July 1989, the Group had discussed the sectors of transport and tourism. Representatives of the International Civil Aviation Organization and the World Tourism Organization had participated in the discussions. The secretariat had prepared background papers on transport services (MTN.GNS/W/60) and tourism services (MTN.GNS/W/61). The Group had also discussed the concepts of national treatment, m.f.n. and non-discrimination, and market access. A number of participants had submitted papers relating to individual sectors (MTN.GNS/W/62, 64), progressive liberalization (MTN.GNS/W/63, 66), transparency (MTN.GNS/W/65), as well as indicative lists of sectors of interest to them (MTN.GNS/W/55, 56, 59). At its meeting in September 1989, the Group would discuss the sectors of financial services including insurance, and professional services. The secretariat would prepare the relevant background papers. The Group would also discuss the concepts of increasing participation of developing countries, safeguards and exceptions, and the regulatory situation. After its September meeting, the Group would, in accordance with the decision by ministers (MTN.TNC/11, paragraph 11), endeavour to assemble, by the end of 1989, the necessary elements for a draft which would permit negotiations to take place for the completion of all parts of the multilateral framework and its entry into force by the end of the Uruguay Round.

10. The Group took note of the report of the Chairman of the GNS.

IV. Overall review of progress in the negotiations

11. The Chairman noted that the time remaining for the completion of the negotiations fell naturally into three stages. This should provide a framework enabling the short time available to be used to the best possible advantage. He suggested that by the end of the first stage in December 1989, it would be essential to have the respective positions of participants clearly established by means of written proposals or statements in the different groups. By that time participants should be in a position to make a first evaluation of the work done so far and the extent to which this matched the objectives of the Punta del Este Declaration, including those relating to the participation of developing countries. It was only when the positions of participants were well understood that an effort to build compromise solutions could take place and that chairpersons could contribute to this end. This would provide the necessary basis for the collective effort required in the second stage, to July/August 1990, when real bargaining would take place. It would be necessary, in this second stage, to build bridges between differing positions and to strike a balance both within and between negotiating groups. The third period, to November December/1990, would then be devoted to resolving the last outstanding issues and putting the final touches to agreements. Overall agreement would only be possible if the main preoccupations of all participants had been dealt with satisfactorily. In this third stage instruments would have to be prepared for adoption so that the results of the negotiations could be internationally implemented as provided in the Punta del Este Declaration. He felt that the proposed three-stage approach would impart a sense of direction to the work ahead, but that it would need to be viewed with some degree of flexibility. On the one hand, written proposals might be tabled after the end of the first stage. On the other, some groups might be able to begin to engage in bargaining before the end of 1989. He stressed that the negotiations must be conducted within the institutional framework and mechanisms agreed for the Uruguay Round, both formal and informal.

12. Some participants wished their statements in the meeting of the GNG immediately preceding this meeting of the TNC to be taken into account in the present review. These statements are reflected in the note on the GNG meeting (MTN.GNG/20) which should therefore be read in conjunction with the present note.

13. Many speakers agreed that the proposed three-stage framework outlined by the Chairman would be helpful in fulfilling the mandate to complete the negotiations by the end of 1990. Some participants underlined the necessity of meeting the agreed deadline for the completion of the negotiations. Some stated that it was also important to fix the dates of the final Ministerial meeting and of the special session of the CONTRACTING PARTIES envisaged in the last paragraph of the Punta del Este Declaration. One participant noted that timely attention would need to be given to the legal form of the instruments that would embody the results of the negotiations. Some participants welcomed the Chairman's admonition that

there should not be parallel negotiations outside the framework of the Uruguay Round; this was necessary to ensure both transparency and the widest possible participation.

14. Some participants expressed satisfaction with progress so far, with the effects and results of the mid-term review, with the broad participation in the negotiations and with the generally positive and constructive attitudes of participants. Although it was recognised that the greatest difficulties lay ahead it was hoped that the long-standing spirit of compromise and consensus in GATT would continue to prevail.

15. Many participants confirmed their commitment to the success of the negotiations and to a strengthened open and fair multilateral trading system. One participant wished to dispel doubts about his country's attitude to this undertaking. His authorities attached the greatest importance to the use of the multilateral process to solve difficult problems and reduce tensions. He reaffirmed their intent to work through the Uruguay Round as their preferred means of solving their very real trade problems and stated their preparedness to negotiate in all areas. There was no credible alternative to a successful outcome of the Round nor to concluding it as scheduled. Ambitious results were both possible and necessary. His authorities were ready to make commitments in these negotiations and to stand by them. They were taking the necessary steps to meet domestic legislative deadlines that coincided with the conclusion of the Round in 1990. Some participants stated that they saw the Round as the only, rather than preferred, means of solving the problems in the trading system and hoped that all participants would share this commitment to multilateralism. Some wished to see the commitment by participants translated more effectively into deeds, both in individual negotiating groups and in participants' conduct of their daily trade policies.

16. Some participants stated that the credibility of the GATT and the multilateral trading system rested on a successful outcome to the negotiations. The present system could no longer ensure free and open trade. The difficult areas of the negotiations would decide the fate of the Round, but it was necessary for participants to stand by their ambitious mandate and take risks in striving for the comprehensive results that would be of benefit to all and that were required to gain the domestic support for their implementation.

17. Some participants underlined the importance of the widest possible participation in the negotiations. One participant stressed that all were equally committed and that this Round enabled the developing countries to participate actively rather than wait to benefit from the outcome of negotiations among the larger protagonists. The negotiations should aim at enabling all participants to become full partners. Some noted, however, that there was no equality in levels of development and that participants should contribute what they could and receive what they should in

accordance with the principle of special and differential treatment of developing countries.

18. Some participants expressed concern at the disparities in the rates of progress in the different areas of the negotiations and said that the planned schedule of meetings would perpetuate them. These disparities would need to be reduced if success was to be ensured for the final outcome of the Round. Concern was expressed that progress in traditional areas was slower than in the new areas. One participant wondered whether the Uruguay Round was capable of delivering major trade liberalization in certain important areas, such as non-tariff measures, natural resource-based and agricultural products. Another stressed the need to make progress in those areas that had an impact on the whole of the negotiations such as implementation of the standstill and rollback commitments, respect of the principle of special and differential treatment of developing countries at all stages of the negotiations, and attention to the links between trade, monetary and development issues. Some participants felt, however, that the different rates of progress were understandable given the uneven tasks faced by the different negotiating groups. Others felt that the present situation was more a reflection of the differences in interest in, and commitment to, the various subjects of the negotiations, particularly by the larger partners. Some participants stressed that the success of the Uruguay Round would depend on an outcome reflecting the Punta del Este mandate, providing balanced results in all areas and respecting the interests of all participants. Some noted that participants would need to make an effort to understand the positions of others and in particular to see that the concerns of developing countries were taken into account. One participant stated that a successful outcome would depend on the negotiations being carried out, not in a compartmentalized fashion which risked being mechanical and even incoherent, but in a global manner, implying balancing of the specific interests and concessions of each and every participant.

19. Some participants stressed the need to keep the progress of the negotiations continually under review with a view to ensuring that the balance envisaged in the Punta del Este Declaration was maintained. One participant underlined that transparency would be necessary for such a continuous assessment to be possible. One participant suggested that the Chairman might convene informal meetings with a view to solving problems that might arise. Some participants said that enough time should be set aside for the evaluation called for in the last paragraph of Section G of the Punta del Este Declaration before the completion of the negotiations. One participant cautioned against evaluating concessions in too immediate a fashion rather than projecting them in time. The negotiations were aiming to enable all to become full partners. If the dynamics of this evolutionary process were not understood frustrations would build up which would be difficult to overcome.

20. Some participants expressed serious concern over the continued resort to unilateral measures, which adversely affected the environment in which the negotiations were being carried out and went against the political commitment on standstill entered into in Punta del Este. All three aspects of this commitment were to be respected, including the undertaking not to take any trade measures in such a manner as to improve negotiating positions. They said that the fact that this commitment had not been respected cast serious doubt on the commitment of some participants to abide by the final results of the negotiations, thereby vitiating the whole process from the outset. One participant warned against the temptation to transfer domestic problems to the international scene and to resort to unilateral or bilateral actions to achieve progress in a multilateral forum. The end did not justify the means. One participant recalled that it had repeatedly been the victim of violations of the standstill commitment. One recently adopted unilateral measure was clearly contrary to the standstill undertaking in Section C(iii) of the Punta del Este Declaration, since it was explicitly designed to enhance the negotiating ability of the country in question. The possible speed of implementation was also ominous. Such actions had already had serious adverse effects, but it was still time to avoid further, potentially irreparable, damage to the Round.

21. Some participants also stressed the importance to a credible and lasting outcome of the negotiations of abiding by the political commitment on rollback entered into in Punta del Este. Some participants deplored the limited action taken so far in this area and recalled that the commitment was intended to be implemented progressively during the course of the negotiations. One participant referred to proposals he had made for establishing a rollback timetable. These proposals had gained considerable support among developing countries, but the major partners had not been ready to set targets for honouring their commitments. While there was still time to implement rollback, it would not be acceptable to call on participants to pay for the rolling back of measures which were outside the framework of the General Agreement. One participant, while agreeing that it was essential to have a clear-cut outcome in this area and thereby to settle past controversies, noted that the Punta del Este Declaration allowed for implementation at the latest by the end of the round. Since a political commitment implied both good will and a degree of autonomy, there was no question of negotiating, as opposed to holding consultations, on the subject. He gave great importance to the mid-term Ministerial decision aimed at ensuring concrete follow-up on the Punta del Este commitments. He conceded that the response on the part of his group of countries was somewhat delayed but said that it was still within the limits foreseen. The necessary action would be taken, but prudence was required in this exercise which was a kind of consolidation of progress and on which it would not be possible to come back.

22. Some participants expressed disappointment that the substantive evaluation of the standstill and rollback commitments called for by



Ministers had not been carried out at this meeting. Some referred to the proposal made by one participant with respect to a framework for carrying out such an evaluation. The matter would need to be given careful thought. Some stated that the Surveillance Body had failed to implement the political commitments entered into nearly three years earlier.

23. Turning to the negotiations on trade in goods, some participants welcomed the change of perception with respect to the scope for significant action in the fields of tariffs and non-tariff measures. Progress needed to be achieved in these areas, particularly with respect to participation and coverage, as the results would be a visible signal to the general public. One participant recalled the priority allocated to tropical products in the Punta del Este mandate and his country's autonomous contributions in this area, adding that all participants would need to contribute to the work of the Negotiating Group if a reasonable outcome was to be achieved. One participant stressed that it was important to negotiate in a truly multilateral manner and expressed concern over the emphasis being placed on request-and-offer, rather than multilateral, approaches.

24. Some participants said that progress had been satisfactory in the negotiations on services. There was widespread appreciation for the contribution of the Chairman of the Negotiating Group. Some saw the aim of the negotiations as concrete, contractual and multilateral commitments, even if it were to require more than four years to achieve them. This aim should be recognized by all. It would be a mistake to establish a multilateral framework under any other roof than that of the GATT, with its competence and experience (in, for example, the area of dispute settlement). Some participants stated that the agreement sought must provide a framework for liberalization, on an m.f.n. basis, of trade in services that would be of benefit to all, expand world trade, and lead to increases in both the participation of developing countries in that trade and the consumption of services. Some participants noted that, the foundations having been laid for continued work in this area, it was necessary to strive for ambitious results while remaining pragmatic in assessing what could be achieved. One participant suggested that it would be necessary to disaggregate the identification of transactions to verify the extent to which the various principles, concepts and rules could be considered applicable. Work on assembling the elements of a draft framework would need to follow closely the guidelines laid down by Ministers in the mid-term review, including elements of interest to developing countries.

25. Some participants recalled that special attention shall be given in the Uruguay Round to the particular situation and problems of the least-developed countries, in accordance with the Punta del Este Declaration, and expressed appreciation for the Chairman's efforts in getting concrete proposals transmitted to all negotiating groups. There had already been positive follow-up in three groups. However, one

representative had been struck by the fact that, in the recent meeting of the Negotiating Group on Non-Tariff Measures, some participants had not been prepared to be more forthcoming in favour of least-developed countries.

26. Summing up, the Chairman noted that the Uruguay Round was not proceeding in a vacuum. Looking at the general economic and trade environment, he noted that overall trends in world trade were quite positive. However, this global assessment should not conceal the fact that notable blackspots persisted, such as the situation of indebted countries. The manner in which participants conducted their day-to-day trade policies also contributed to this environment. Implementation of the standstill and rollback commitments were of crucial importance and there was a clear need to give serious attention to this question. He suggested that when the TNC reverted to this matter at its December 1989 meeting, it should have before it proposals from the Surveillance Body for appropriate TNC action in accordance with paragraph (h) of the Mid-Term Review decision. He noted that, while negotiating groups had progressed at different rates, participants were committed to achieving results in all areas of the negotiations. Participants were also aware that, despite the difficulties to be surmounted and the short time available, their objectives should be ambitious. The necessity of evaluating progress and results in relation to the interests of developing countries should be kept in mind at every stage. In any case, the Punta del Este Declaration provided for such an evaluation by the GNG before the formal completion of the negotiations. There would also be a need to maintain overall balance and globality in the process of the negotiations and to ensure transparency. He insisted that the responsibility in this respect lay with the TNC, in conjunction with the Surveillance Body, the GNG and GNS. He also declared himself prepared to use every opportunity, formal or informal, to keep an overview of progress. With respect to the negotiations under Part I of the Punta del Este Declaration, he referred to his report under Item II above. With respect to the negotiations on trade in services, he suggested that the pace of work might serve as an example for other groups and noted the commitment to endeavour, by the end of 1989, to assemble the necessary elements for a multilateral framework to enter into force by the end of the Round. He was pleased to note the widespread support for the time-frame he had proposed for the remaining months of the negotiations and warned against the danger of repeating the experience of the mid-term review, when several additional months had been required to complete the work for which a firm deadline had been set. The question of the international implementation of the results would need to be kept in mind and would have to be taken up as the outline of the results emerged. The general tone of the debate had suggested to him that participants set great store by the Uruguay Round as a means both of resolving the problems inherent in the present trading system and of shaping the trading system of the future. Participants' seriousness of purpose was a portent of success. Their aims were ambitious and there would be crises and confrontations if there was to be no papering over of the difficulties. But the sooner the tough questions were on the table, the better the chances of using the time available to answer them satisfactorily.

27. The Committee took note of the statements made.

V. Other business

A. Arrangements for further meetings

(i) Final meeting of the Uruguay Round at Ministerial level

28. The representative of the EEC recalled and confirmed its offer to hold the final Ministerial meeting in Brussels. It would be an honour for the Community and the Kingdom of Belgium to host the concluding meeting of a round of negotiations that would shape multilateral economic relations in the decades to come. This was also a political gesture that illustrated the EEC's total commitment to the multilateral system and the current negotiations, as well as its faith in their outcome. For the EEC, GATT and the Uruguay Round were the only means of strengthening the system and resolving trade tensions. The Round was therefore condemned to succeed. When a date had been agreed for the meeting, an appropriate venue would be decided upon, in Brussels or its environs.

29. The representatives of Uruguay and Canada welcomed the offer of the European Community and gave it their full support.

30. On behalf of the Committee, the Chairman thanked the European Community, and through it the Kingdom of Belgium, for the invitation. The Committee decided to accept the invitation to hold the final meetings of the Uruguay Round in Brussels (Belgium) and agreed that these meetings will be held at Ministerial level as provided for in the Punta del Este Declaration in the period 26 November - 8 December 1990.

31. The representatives of Belgium, as host country, and of France, on behalf of the Presidency of the Commission of the EEC, welcomed the decision taken. The TNC would be kept informed of preparations for the final Ministerial meeting of the Round.

(ii) Date of next meeting

32. The Committee agreed to meet on 19 December 1989, immediately after the meeting of the GNG, with a possibility of continuing on 20 December 1989, and with the same agenda as the present meeting.

B. Participation of Venezuela

33. The Chairman recalled that, at the meeting of the GATT Council of 22 June 1989, the representative of Venezuela had indicated, in the context of proceedings for accession to the GATT, his Government's interest in participating in the Uruguay Round. A number of other delegations had

commented on this matter at the same meeting. Summing up, the Chairman of the Council had noted that Venezuela and other speakers had said that Venezuela's request to participate in the Uruguay Round was a matter which would appropriately be considered by the TNC (C/M/234). The Chairman of the TNC reported that consultations were in progress on this matter and that the results of these consultations would be brought to the Committee at its next meeting.

34. The representative of Brazil reiterated the support of the Informal Group of Developing Countries for Venezuela's request. He trusted that the consultations would have a successful outcome. The representative of Uruguay supported the statement by the representative of Brazil and wished to participate in the consultations.

35. The Committee took note of the statements made.